

# Memorandum

To  
All MasterCard Employees

MasterCard  
International



From  
H. Eugene Lockhart

Date  
January 30, 1996

Subject  
Internet Specifications

Copies to

As you know, for a year MasterCard has put tremendous time and effort into developing a method for securing transactions on open networks like the Internet. It started in January 1995 when we announced our work with Netscape and IBM while Visa was working on a competing method with Microsoft. Last June, we announced joint work with Visa, which was hailed by the industry as the best way to proceed. Despite completing excellent joint work, Visa and Microsoft decided to announce in late September a specification that MasterCard simply could not agree to since we strongly believed it was not truly open and license-free.

I am very pleased to tell you that we have prevailed in our policy and objective to have a single, open standard for secure card purchases on open networks like the Internet. Visa has once again agreed to suspend work on its proprietary specification with Microsoft (called STT) and to work with us on integrating the separate bankcard schemes into a single, open specification called Secure Electronic Transactions (SET).

We expect to publish SET - open, free and available to all interested parties - on our World Wide Web sites in mid-February; there will be no licensing fees charged for use of the specification. SET will be jointly owned by MasterCard and Visa and, at a future date, we anticipate it will be managed by the International Organization for Standards (ISO).

The technology partners - GTE, IBM, Microsoft, Netscape, RSA Data Security, SAIC, Terisa Systems and Verisign - are helping develop or are supporting SET. Meanwhile, MasterCard and Visa have agreed to stop work on those separate specifications, and to publish the new specification.

We now expect to proceed as quickly as possible so that SET can be a critical catalyst to the growth of electronic commerce worldwide. Our next steps follow:

- The associations will establish a forum on the Internet to receive comments on the new specification.
- Beginning in the second quarter, MasterCard will test SET with consumers, merchants and financial institutions. The initial tests will not be joint with Visa since each association will likely implement SET differently and with different vendors.

P-0378

- However, after the initial tests, the associations will perform joint interoperability testing to ensure this system, where necessary, operates as smoothly as the point-of-sale system used today.
- Then, SET 2.0 will be published, including "a reference implementation" that will supply source code to assist vendors in implementing the secure method.
- Software companies will then write or upgrade software – for consumers, merchants and financial institutions – that complies with the new specification.
- We hope that, later this year, our members will begin offering this secure to their cardholders who want to shop on the Internet.

Although electronic commerce may be small now compared to our total annual volume, we are spending time and effort on this issue because bankcards represent the best payment option for users of the Internet. Also, we believe that card use on the Internet will expand exponentially as the market continues its explosive growth, that we should protect and leverage our brand in a non-physical world, and that we have an obligation to help member banks perform these transaction services for consumers and merchants in a safe, reliable and fast manner.

In summary, we are very pleased that MasterCard's objective – a single, open standard – has been achieved because, as I wrote to you in October, we remain convinced that members, merchants and cardholders will be better served by a common standard for security on the Internet.

We will keep you apprised as we continue work on SET.